

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 SS-20 NSC-10 SCEM-02

FPC-01 INT-08 SSO-00 INRE-00 DRC-01 PA-04 PRS-01

USIE-00 DODE-00 /140 W
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O R 091556Z JAN 74

FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WASHDC IMMEDIATE 5929

INFO AMEMBASSY CARACAS

C O N F I D E N T I A L PORT OF SPAIN 0071

E.O. 11652: NGDS

TAGS: ENRG, EIND, TD, US

SUBJECT: LNG PROJECT TERMINATED

REF: POS 1263, OCT. 9, 1973; AND PREVIOUS

1. WE UNDERSTAND THAT EXPECTED DEMISE OF LONG DISCUSSED GAS LIQUIFICATION PROJECT, INVOLVING GOTT, AMOCO, AND NATURAL GAS PIPELINE COMPANY (NGPL), WILL BE OFFICIALLY ANNOUNCED IN CHICAGO THIS AFTERNOON. PROJECT FELL VICTIM TO DISAGREEMENT OVER PRICE TO BE CHARGED (AN ESPECIALLY DIFFICULT SUBJECT DUE TO PRICE UNCERTAINTIES STEMMING FROM CURRENT WORLDWIDE ENERGY SITUATION) AND THE GOTT'S GROWING RELUCTANCE TO COMMIT ITSELF TO THE LONG-TERM (20-YEAR) EXPORTATION OF RAW MATERIALS WHICH THE GOTT BELIEVES SHOULD INSTEAD BE USED TO ATTRACT ENERGY-USING INDUSTRY TO TRINIDAD. ACCORDING TO AMOCO, NGPL IS STILL INTERESTED IN GAS FROM TRINIDAD. GOTT "BREATHED SIGH OF RELIEF" AT PROJECT'S COLLAPSE.

2. DECISION HAS SIGNIFICANT IMPLICATIONS. US MIDEAST LOSES A POTENTIAL SUPPLY OF SOME 480 MILLION CUBIC FEET PER DAY OF NATURAL
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GAS. GOTT LOSES OPPORTUNITY FOR SUBSTANTIAL REVENUES, ALTHOUGH

THIS LOSS WILL BE PARTIALLY OFFSET BY "WINDFALL" OIL REVENUES AND OTHER BENEFITS FROM WHATEVER USE GOTT MAKES OF ITS NATURAL GAS RESERVES. UTILIZATION OF THIS NATURAL GAS POTENTIAL IS LIKELY TO BE GOTT'S NUMBER ONE PRIORITY, WITH SPECIAL ATTENTION PAID TO LABOR-AND ENERGY-INTENSIVE INDUSTRIES, A COMBINATION DIFFICULT TO MAXIMIZE. IN ADDITION TO PROPOSALS FOR AMMONIA PLANTS, AND ALUMINUM SMELTER, AND A STEEL PELLETIZING PLANT, WE KNOW THE GOTT IS ALSO CONSIDERING THE ESTABLISHMENT OF A LARGE-SCALE PETROCHEMICAL INDUSTRY, WHICH WOULD EXPORT INTERMEDIATE PRODUCTS TO THE U.S. AND EUROPEAN MARKETS.

3. DECISION MAY ALSO PRESAGE PERIOD OF MORE DIFFICULT RELATIONS BETWEEN THE GOTT AND THE OIL COMPANIES, ESPECIALLY AMOCO. AS THE PRIME MINISTER HAS NOTED, TRINIDAD SHOULD TAKE ADVANTAGE OF THE PRESENT ENERGY SITUATION TO MAXIMIZE BENEFITS FROM TRINIDAD'S PETROLEUM RESERVES, AS WELL AS ITS REFINING CAPACITY. ONE RESULT OF THE GOTT'S FORTHCOMING MISSION TO OIL-PRODUCING NATIONS (POS 1663) IS LIKELY TO BE AN INCREASED RELIANCE ON FOREIGN ADVICE RE PRICE AND ROYALTY POLICY, AS WELL AS FOREIGN ASSISTANCE IN ESTABLISHING INDUSTRIES TO MAXIMIZE LOCAL BENEFITS FROM TRINIDAD'S ENERGY POTENTIAL.

4. DESPITE ITS DISTASTE FOR DOING SO, THE GOTT WILL SOON HAVE TO COMMIT ITSELF PUBLICLY REGARDING PETROLEUM POLICY. A LIKELY OCCASION FOR SUCH A STATEMENT IS THE FINANCE MINISTER'S BUDGET SPEECH, NOW POSTPONED TO JANUARY 25. ENTIRE SITUATION, HOWEVER, MAY WELL REMAIN FLUID UNTIL RETURN OF GOTT'S TWO MISSIONS TO OIL PRODUCING COUNTRIES. FIRST TRIP--TO AFRICAN AND NEAR EAST PRODUCERS--IS SLATED FOR LATE JANUARY BUT TIMING OF SECOND TRIP--TO LATIN AMERICAN PRODUCERS--IS STILL UNCERTAIN.
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